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ABSTRACT

In 1995, the Ohio General Assembly required that certain educational service centers (ESCs) merge with other ESCs. This report examines the impact of ESC consolidation on the costs and quality of services provided to school districts. It raises issues for the state's General Assembly to consider and provides recommendations regarding pending ESC mergers. The report is divided into five parts: (1) an introduction, which discusses ESC history and services, ESC organization, local and "client" districts, ESC funding, the history of consolidated legislation, and the scope and methods of study; (2) an overview of the status of ESC consolidation, including expectations for consolidation and consolidation efforts in other states; (3) an examination of conditions and impact of consolidation, such as those conditions that help the consolidation process; (4) a treatment of issues for future consideration, which includes changes in special-education funding, the entrepreneurial ESC, and regional service delivery; and (5) a conclusion and recommendations. The study found that certain conditions, such as the provision of state money to offset the costs of consolidation and good personal relationships among participants, helped the consolidation process. Although consolidation lowered administrative costs, there were no savings overall. Four appendices offer examples of services provided by ESCs and other information. (Contains 18 references.) (RJM)

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Status Report on the Consolidation of Educational Service Centers

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The Legislative Office of Education Oversight (LOEO) serves as staff to the Legislative Committee on Education Oversight. Created by the Ohio General Assembly in 1989, the Office evaluates education-related activities funded wholly or in part by the state of Ohio. This LOEO report examines the impact of educational service center (ESC) consolidation on the costs and quality of services ESCs provide to school districts. *Conclusions and recommendations in this report are those of the LOEO staff and do not necessarily reflect the views of the Committee or its members.*

This study was completed in March 1999, presented to the Legislative Committee on Education Oversight in June 1999, and published in July 1999.

This report is available at LOEO's web site: http://www.loeo.state.oh.us

ADDENDUM

While reading this report, please note that the status of educational service center (ESC) consolidation is different today than when the report was written. Following are the changes Amended Substitute House Bill 282 of the 123rd General Assembly made regarding ESC consolidation:

- The definition of "client district" (on page 2 of this report) was changed to allow ESCs to include *all* school districts in the calculation of their average daily membership (ADM) with whom they have a service agreement. This change lowers the number of ESCs that are required to merge or have "yet to merge." A total of three ESCs are affected by this change;

- ESCs that have an ADM of less than 8,000 students but serve six or more school districts are no longer "required to merge." This change affects two ESCs; and

- The consolidation deadline for two ESCs that have merged once, but still failed to meet the 8,000 ADM requirement, was postponed to July 1, 2001.

Since the completion of the report, three additional mergers have taken place. The table below compares the status of ESC consolidation at the time the report was written with the current status of consolidation.

Consolidation Status of Educational Service Centers

	Merged	Yet to Merge	Not Required to Merge	Total
In the report	15*	8	41	64
July 1999	17**	0	44	61

*includes three ESCs that must merge again
**includes two ESCs that must merge again

Finally, Am. Sub. H.B. 282 changed the subsidy made to multi-county ESCs described on page 11 of this report. As an incentive to merge, the General Assembly previously provided *multi-county ESCs* (serving three or more counties) with a per student subsidy of one per cent of the formula amount. Am. Sub. H.B. 282 eliminated this subsidy and replaced it with a fixed amount of $40.52 per student.

Summary

Status Report on the Consolidation of Educational Service Centers

Current law requires certain educational service centers (ESCs) to merge with another ESC.

In 1995, the Ohio General Assembly required that certain educational service centers (ESCs) merge with another ESC. This Legislative Office of Education Oversight report examines the impact of ESC consolidation on the costs and quality of services ESCs provide to school districts. The report also raises issues for the General Assembly to consider and provides recommendations regarding pending ESC mergers.

Background

The role of ESCs has evolved from imposing standardization on small rural districts to providing services to local, city, and exempted village districts.

ESCs, formerly called "county school districts," were created in 1914 to ensure that a standard level of quality existed in all village and rural school districts throughout the state. The role of ESCs has changed from that of imposing standardization on these districts to providing large-scale support and special programs to local, city, and exempted village districts. ESCs now serve 93% of Ohio's 611 school districts.

ESC Consolidation

Originally, there were 87 ESCs (one for each county except Adams County). Amended Substitute House Bill 117 of the 121st General Assembly originally required that ESCs serving only one local district merge by July 1, 1997 and that all ESCs with an average daily membership (ADM) of less than 8,000 students merge by July 1, 1999. Incentive money was provided to offset the costs of consolidation. Subsequent legislation postponed the consolidation of certain ESCs to July 1, 2000.

Currently, there are 64 ESCs in Ohio.

Currently, there are 64 ESCs in Ohio:

- Fifteen are "merged" (three must merge again);
- Eight are "yet to merge"; and
- Forty-one are "not required to merge."

Should an ESC that is required to merge fail to do so by the statutory deadline, the Ohio Department of Education is required to designate a suitable merger for that ESC.

Legislators' expectations

Regardless of whether cost savings result from consolidation, legislators expect services to districts to improve.

The state legislators interviewed for this report expressed the belief that combining the resources of smaller ESCs (ADMs of less than 8,000) would increase efficiency and should result in a cost savings. Regardless of whether cost savings result from consolidation, legislators do expect there to be an improvement in the services offered to districts. These expectations are similar to those of policy makers in other states.

LOEO Findings

Conditions that help consolidation

Certain conditions, when present, *help* the consolidation process.

LOEO identified certain conditions that, when present, *help* the consolidation process:

- Provision of state money to offset the costs of consolidation;
- Good personal relationships among participants;
- Pre-existing service relationships;
- Similar cultures and socio-economic status;
- Retirement of upper-level administrative personnel; and
- Belief that consolidation will improve services to children.

Conditions that hinder consolidation

Other conditions *hinder* the consolidation process.

In addition to the absence of these helpful conditions, LOEO identified conditions that hinder consolidation and have caused other ESCs to be reluctant or unwilling to merge:

- Increased costs associated with salaries and other personnel issues;
- The geographic size of a consolidated ESC and the effect it might have on the cost and quality of services;
- The difficulty of negotiating a merger that is neither a "paper only" merger nor a "takeover"; and
- The reluctance of ESC board members to give up their seats for the necessary reconfiguration of a consolidated governing board.

Impact of consolidation

Although administrative costs were reduced, ESCs have not realized an *overall* cost savings as a result of consolidation.

On costs. LOEO found that although administrative costs were reduced, ESCs have not realized an *overall* cost savings as a result of consolidation. An overall cost savings has not been realized because:

- Some ESCs raised the salaries of non-administrative staff

from one participating county to match the salaries of another;

Any cost savings that have occurred have been *redirected* to improve service delivery to districts.

- Any cost savings that have occurred have been *redirected* to improve service delivery to districts; and
- Most ESCs have not reduced the number of facilities that they operate in order to provide more personal attention to districts and to reduce travel time for their staff.

Furthermore, any cost savings that were passed along to schools have gone unnoticed as district administrators react to the new state funding system for special education. Special education funding accounts for a significant amount of an ESC's total funding.

Consolidation has had both positive and negative effects on services.

On services. LOEO found that consolidation had both positive and negative effects. The positive effects include:

- An expansion in the *number* and *type* of services offered to districts;
- A "leveling up" in the *quality* of services delivered to districts within ESCs;
- A broadened expertise due to the pooling of combined ESC staff;
- Greater efficiency in delivering services; and
- More collaboration among ESC staff.

Because of the increased geographic size, the one negative effect of consolidation on services expressed by school district administrators was the loss of individualized or personal attention from ESC personnel.

LOEO Conclusions and Recommendations

Implementation of mandated consolidation

Forcing mergers without considering the conditions that help or hinder the process will not result in improved efficiency and quality of services.

Overall, while the expected cost savings of consolidation were not necessarily realized, school districts served by merged ESCs report improved services. For those ESCs that are "yet to merge" and are reluctant, forcing them to merge without taking into consideration the conditions that help or hinder the process will not create the desired results of improved efficiency and quality of services.

LOEO recommends:

- The consolidation of ESCs be completed as prescribed by current law.

- The Ohio Department of Education work with ESCs that are

"yet to merge" to develop individualized plans for improving efficiency and quality of services through consolidation. These plans could contain strategies to enhance conditions that help the consolidation process and avoid conditions that hinder it.

Providing incentive money

The state's provision of incentive funding to offset the costs of merging has eased consolidation.

The state's provision of incentive funding to offset the costs associated with merging has eased consolidation. ESCs that merged in 1998 or have "yet to merge" have missed the deadline for incentive money.

LOEO recommends:

- The Ohio General Assembly provide "incentive" money to the one ESC that merged in 1998 and to all of the ESCs still required to consolidate. This funding should be provided upon the effective date of their mergers.

Additional consolidation

The original legislation requiring the consolidation of ESCs might have been improved by including criteria beyond that of ADM, such as customer satisfaction, geographic size and topography, or the number of school districts served. However, the concerns expressed by those ESCs that are reluctant or unwilling to merge will only be intensified should Ohio consider *further* consolidation beyond that which is mandated by law.

LOEO recommends:

If further consolidation is considered, the decision of which ESCs are to merge should be made on a case-by-case basis using multiple criteria.

- Should the General Assembly consider further consolidation of ESCs beyond that already specified by law, the decision of which ESCs are to merge should be made on a "case-by-case" basis with multiple criteria, taking into account each ESC's unique characteristics.

Issues for Future Consideration

In addition to the conclusions and recommendations offered regarding the consolidation of ESCs, there are four issues that policy makers may want to consider regarding educational service centers.

The state mechanism for funding special education services, a large part of the services provided by ESCs, has recently been changed.

Changes in special education funding

The state mechanism for funding special education services, a large part of the services provided by ESCs, has

recently been changed. The switch from "unit" funding to a weighted per-pupil amount given directly to school districts has resulted in:

- A real or perceived loss of special education dollars that causes districts to pressure ESCs into cutting costs and may cause some districts to cut back on special education and related services; and

- The introduction of market forces that cause ESCs to compete for districts' special education dollars. This could affect the stability of ESC funding as districts may select different providers from year to year. In addition, some of the dollars ESCs receive from districts and the state are not transferable; therefore, districts may not have much flexibility in choosing providers.

"Entrepreneurial" ESCs have expanded their clientele base, increased revenue, and have passed along cost savings to their districts.

The entrepreneurial ESC

Some ESCs have entered into a variety of arrangements with private schools and non-school entities. These "entrepreneurial" ESCs have found that by expanding their clientele base and increasing revenue they have been able to pass along cost savings to their districts. This new entrepreneurial role, however, raises two issues:

- These "for profit" opportunities, while not prohibited, are not expressly allowed in law; and

- Not every ESC is located in the type of environment necessary to pursue a more entrepreneurial role.

School district superintendents are frustrated with the number of regional, service-delivery providers working with Ohio's schools.

Regional service delivery

Many school district superintendents with whom LOEO spoke are frustrated with the many state-funded, regional, service-delivery providers working with Ohio's schools. They feel that some of the providers offer duplicate and poor quality service.

As the General Assembly considers improving the coordination and reducing the duplication of technology, professional development, and other services, it might want to consider the services that are already provided by ESCs, their capacity to do more, and the level of satisfaction that districts have with ESC services.

ESC accountability

In state-level deliberations about school improvement, ESCs are an often-overlooked resource. In part, this may be due to the lack of attention paid to them at the state level. There is very little oversight of ESC operations by the Ohio Department of Education, and ESCs are not required to report on their performance relative to performance standards or to report the ways in which they are assisting school districts in improving student performance.

Performance standards or other accountability measures that focus on the quality of services may need to be considered.

If the General Assembly wishes to strengthen the role of ESCs and improve their effectiveness, performance standards or other accountability measures that focus on the quality of services may need to be considered.

Status Report on the Consolidation of Educational Service Centers

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COMMENTS

CHAPTER I
INTRODUCTION

In 1995, the Ohio General Assembly required that certain educational service centers (ESCs) merge with another ESC. This Legislative Office of Education Oversight study examines the impact of ESC consolidation on the costs and quality of services ESCs provide to school districts. The report also raises issues for the General Assembly to consider and provides recommendations regarding pending ESC mergers.

Ohio has three types of school districts that provide comprehensive education services to children in grades Kindergarten through 12: "city," "exempted village," and "local" districts. Educational service centers (ESCs), formerly called "county school districts," were initially created to provide services to rural and village districts, now known as "local" districts. Today, while an ESC's primary charge is to serve local districts within their service area, they may also provide contracted services to city and exempted village districts. "Exempted village" districts derive their name from having been exempted from the county school district system when it was first created in 1914.

ESC history and services

During the 1913-1914 school year, there were 2,674 school districts in Ohio. In 1914, county school districts were created to ensure that a standard level of quality existed in all of the village and rural school districts throughout the state. This was accomplished through the charge to county superintendents to assist in the consolidation and centralization of school districts, publish a minimum course of study, provide inservice training for teachers, assure that all teachers and administrators are properly certified, and take responsibility for classroom supervision. County school districts also acted as liaisons between school districts and the Ohio Department of Education (ODE).

The role of county school districts expanded and evolved as they took on new, more service-oriented responsibilities, such as countywide purchasing in the 1930s and facilitating the acquisition of special education units for the county in the 1960s. In 1995, Amended Substitute House Bill 117 renamed county school districts "educational service centers" and required that all ESCs serving only one local school district and all ESCs with an average daily membership (ADM) of less than 8,000 students merge with another ESC.

Since their creation in 1914, the role of educational service centers has changed from that of imposing standardization on small rural districts to providing large-scale support and special programs to local as well as city and exempted village school districts. Today, educational service centers still provide the educational support services that are important to district operations. Examples of support services include curriculum development, financial services, special education, and operational support. Appendix A provides a brief description of these and other examples of services offered by educational service centers.

While providing these core support services, each ESC may choose to offer special services that differ a great deal from those offered by other ESCs. This is due to differences among ESCs and the varying needs of the districts they serve. For example, an ESC may offer unique technology services and computer training to its districts while another ESC may offer a one-of-a-kind arts program. These new kinds of services set ESCs apart from the county school districts that were created eighty-five years ago.

LOEO found that the services provided by Ohio's ESCs are consistent with the services offered by similar agencies in other states. According to the literature reviewed for this study, there are three broad categories of

services provided by "educational service agencies," as they are called in other states:

- Direct instruction to students and adults, especially to students with disabilities, but to a lesser extent vocational/technical, occupational, outdoor/environmental, and adult education;

- Instructional support services, especially related to curriculum and staff development, provision of instructional materials, and technology; and

- Management support services, including data processing, cooperative purchasing, legislative monitoring, financial and facility planning, and strategic planning.

Appendix B provides a complete list of resources reviewed for this study.

ESC organization

Each ESC has a governing board traditionally consisting of five members elected at large. Consolidated or joint ESCs, however, may choose one of the following:

- A traditional five-member board elected at large;

- An odd-numbered board (up to nine) elected by sub-district (divisions of the ESC service area); or

- An odd-numbered board elected at-large, by sub-district, or a combination of both.

There is also a provision that allows elected members of a joint ESC to appoint additional members.

Generally, each ESC is staffed by a superintendent, a treasurer, and other professionals that might include service coordinators and supervisors, teachers, psychologists, therapists, and support or clerical staff. An ESC might also employ one or more assistant superintendents or assistant treasurers.

Local and "client" districts

Educational service centers primarily serve the local districts in their county or counties. Many ESCs, however, also serve "client" districts, city and exempted village districts that enter into service contracts with ESCs. While an ESC may provide services to *any* city or exempted village district, not all service contracts are the same. A limited number of "city/county" or "S.B. 140" contracts are subsidized by the state (ORC §3313.843). These contracts, authorized by Amended Substitute Senate Bill 140 of the 118th General Assembly, are limited in number due to restrictions placed on which ESCs and school districts may enter into them. "S.B. 140" contracts entitle those city and exempted village districts to the same comprehensive services ESCs provide to local districts. The state provides funding to ESCs for these contracts on the same basis that it provides funding for services to local districts.

City and exempted village districts with an average daily membership (ADM) of less than 13,000 may enter into a "S.B. 140" contract *only* with an ESC with whom it shares territory. Other contracts may be made without state subsidies and ESCs are not required to report them to the state. These contracts, however, are generally for very specific kinds of services such as occupational or physical therapy, not for the full range of services that ESCs offer.

According to ODE, ESCs serve 93% (569) of Ohio's 611 school districts either as local districts or through "S.B. 140" contracts. This percentage includes all local districts (371), 84% of exempted village districts (41), and 82% of city districts (157). These percentages *underestimate* the proportion of districts that actually receive ESC services because service contracts that are not subsidized by the state are not included in these numbers. Exhibit 1 shows the maximum, minimum, and typical number of districts served by individual ESCs.

Exhibit 1
Number of School Districts Served by Educational Service Centers

	Maximum Number Served	Minimum Number Served	Typical Number Served
Local Districts	17	2[a]	4 to 6
"Client" Districts	27	0[b]	0 to 3

a - Four ESCs each serve only 2 local districts
b - Thirteen ESCs have no client districts

Educational service center funding

For the 1996-1997 school year, ESCs received approximately $303 million in state, local, and federal revenue. State revenue (58%) primarily came in the form of:

- "Unit" funding for special and gifted education; and
- A $34 per-pupil subsidy for services to local districts and city or exempted village districts served through "S.B. 140" contracts.

Local revenues (30%) were payments made to ESCs by local and client school districts primarily in the form of:

- Excess special education costs (costs that exceed the amount provided in the special education "unit");
- A required $6.50 per student fee that may be used for excess costs or other services and personnel provided by the ESC; and
- Fees for general supervision services provided by the ESC's staff. Ohio law requires local and "S.B. 140" districts to pay these fees to their ESC.

Federal revenues (12%) came in the form of grants for programs such as professional development, drug awareness, and migrant education. In addition to state, local, and federal revenue, many ESCs also received *outside* revenue such as fees for services from non-public schools and other non-school entities. And all ESCs may ask the board(s) of county commissioners to absorb the cost of their facilities, equipment, utilities, and janitorial services (ORC §3319.19).

Exhibit 2 illustrates the state, local, and federal revenue received by ESCs during the 1996-1997 school year.

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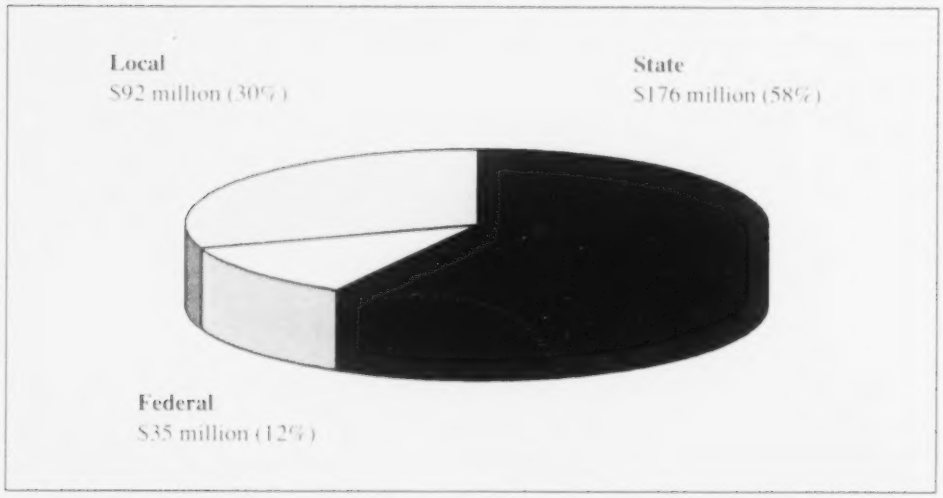
Exhibit 2
Federal, State, and Local Revenue for Educational Service Centers
1996-1997 School Year



Source: Ohio Department of Education, EMIS

The state mechanism for funding special education services recently was changed by Amended Substitute House Bill 650 of the 122nd General Assembly. This change substantially altered the flow of funds to ESCs. The majority of state funds that an ESC received in 1996-1997 were for special education services. In 1998-1999, all special education funding was sent directly to school districts. While school districts were required to maintain the same service relationship for the 1998-1999 school year as they had for the previous year, they will be allowed to select the service provider of their choice for the 1999-2000 school year. Appendix C provides more detail on the changes made to special education funding.

History of consolidation legislation

Beginning in 1989, the General Assembly permitted county school districts to consolidate. However, it was not until 1995, through Am. Sub. H. B. 117, that mergers were mandated and a timetable established. Am. Sub. H.B. 117 stated that ESCs serving only one local district ("single-local" ESCs) and ESCs with an ADM of less than 8,000 students were required to merge. To calculate their ADM, ESCs are permitted to include the ADM of the local districts they serve and the districts served through "S.B. 140" contracts. ESCs may not, however, include the ADM of the districts served through agreements that are not "S.B. 140" contracts.

If an ESC fails to merge by their deadline as outlined in Am. Sub. H.B. 117 and later legislation, the Ohio Department of Education is required to designate a suitable merger. Several ESCs are currently lobbying the General Assembly to fund additional "S.B. 140" contracts so that they might raise their ADM above 8,000 and avoid forced consolidation. Am. Sub. H.B. 117 also provided incentive money to pay for the direct and indirect costs of dissolving the participating ESCs. Exhibit 3 outlines the legislation that established and altered the timeline for ESCs to merge.

Exhibit 3
History of ESC Consolidation Legislation

Bill Number & General Assembly	Effective Date of Legislation	Requirements for Consolidation
Am. Sub. S.B. 140 (118th General Assembly)	1989	• *Permitted* the consolidation of up to five adjoining county school districts.
Am. Sub. H.B. 117 (121st General Assembly)	1995	• Renamed county school districts as educational service centers. • *Required* educational service centers serving only one local district to merge by **July 1, 1997**. • *Required* educational service centers withADMs of less than 8,000 students and serving more than one district to merge by **July 1, 1999**. • *Required* ODE to designate a suitable merger for educational service centers that do not meet the deadlines.
Am. Sub. H.B. 215 (122nd General Assembly)	1997	• *Postponed* the consolidation of educational service centers with ADMs less than 8,000 and serving six or more local or "S.B. 140" school districts to **July 1, 2000**.
Am. Sub. H.B. 770 (122nd General Assembly)	1998	• *Postponed* consolidation of educational service centers created before **July 1, 1997** (through the consolidation of educational service centers serving only one district) with ADMs of less than 8,000 to **July 1, 2000**.

Scope and methods of study

Amended Substitute House Bill 215 of the 122nd General Assembly required the Legislative Office of Education Oversight (LOEO) to prepare a status report on the consolidation of Ohio's educational service centers. Given that Ohio ESCs are in different stages of consolidation, this study primarily focuses on the six educational service centers that have been merged for at least two years as well as the local and client districts they serve. Only those ESCs which have operated for a significant amount of time after consolidation could provide LOEO with information about the changes they have experienced as a result of consolidation. Those ESCs are:

- Delaware-Union ESC;
- North Central ESC (Seneca, Wyandot, Marion);
- Guernsey-Monroe-Noble ESC;
- Mid-Ohio ESC (Richland, Crawford, Morrow);
- Northwest Ohio ESC (Defiance, Henry, Fulton, Williams); and
- Tri-County ESC (Ashland, Wayne, Holmes).

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To conduct this study, LOEO:

- Reviewed literature regarding educational service agencies and consolidation;
- Interviewed Ohio legislators and other stakeholders about the history of the consolidation mandate and the expected outcomes;
- Interviewed Ohio Department of Education personnel about ESC consolidation and funding;
- Conducted three site visits to Ohio educational service centers to better understand their operations and experiences with consolidation;
- Conducted 16 telephone interviews with ESC superintendents from three types of ESCs ("merged," "yet to merge," and "not required to merge") to inform us about the conditions present in ESCs that have merged and those that have yet to merge, the effects of consolidation, and the effects of changes made to special education funding;
- Conducted 16 telephone interviews with school district superintendents served by the six ESCs listed above to explore the effects of consolidation on the cost and quality of services provided to them and the effects of changes made to special education funding;
- Analyzed EMIS (Education Management Information System) expenditure data for the six ESCs that have been merged for two or more years; and
- Interviewed individuals from Educational Service Agencies (ESAs) in ten other states.

Report organization

The next chapter provides the status of ESC consolidation in Ohio. Chapter III describes the impact of consolidation as well as some conditions that have helped and hindered the merger process. Chapter IV outlines some issues that policymakers may want to address in their future consideration of ESCs. Finally, Chapter V presents LOEO's conclusions and recommendations regarding the consolidation of Ohio's educational service centers.

CHAPTER II
STATUS OF EDUCATIONAL SERVICE CENTER CONSOLIDATION

This chapter reports on the status of the educational service center mergers that have taken place. It also describes the rationale and expectations for consolidation of Ohio legislators as well as policymakers in other states.

Consolidation efforts in Ohio

Prior to the first consolidation in 1993, there were a total of 87 educational service centers (ESCs) – one for each county except Adams county. As a result of the General Assembly's mandate for ESCs to merge, there are currently 64 ESCs, a reduction of 26%.

Of the existing 64 ESCs, 15 have undergone consolidation, however, three of these "merged" ESCs "must merge again" by July 2000 in order to meet the 8,000 average daily membership (ADM) requirement. Currently, eight ESCs are "yet to merge" and 41 are "not required to merge." Exhibit 4 summarizes the consolidation efforts of ESCs as of February 1999.

Exhibit 4
Consolidation Efforts of Educational Service Centers
February 1999

Merged	Yet to Merge	Not Required to Merge	Total
15*	8	41	64

*Includes three ESCs that "must merge again"

One merger, Gallia-Vinton ESC and Pike County ESC, was dissolved shortly after it occurred. Section 3311.053 of the Ohio Revised Code stipulates that a new governing board is not established until 30 days after the last resolution is filed with the state board. Due to differences in the operation of the newly merged ESC, Pike County withdrew from the consolidation before the end of the thirty days.

Exhibit 5 displays the status of ESC consolidation and the effective dates for ESC mergers. Exhibit 6 provides a county map of the state of Ohio indicating merged, yet to merge, and ESCs that are not required to merge. A complete list of the three types of ESCs is included in Appendix D.

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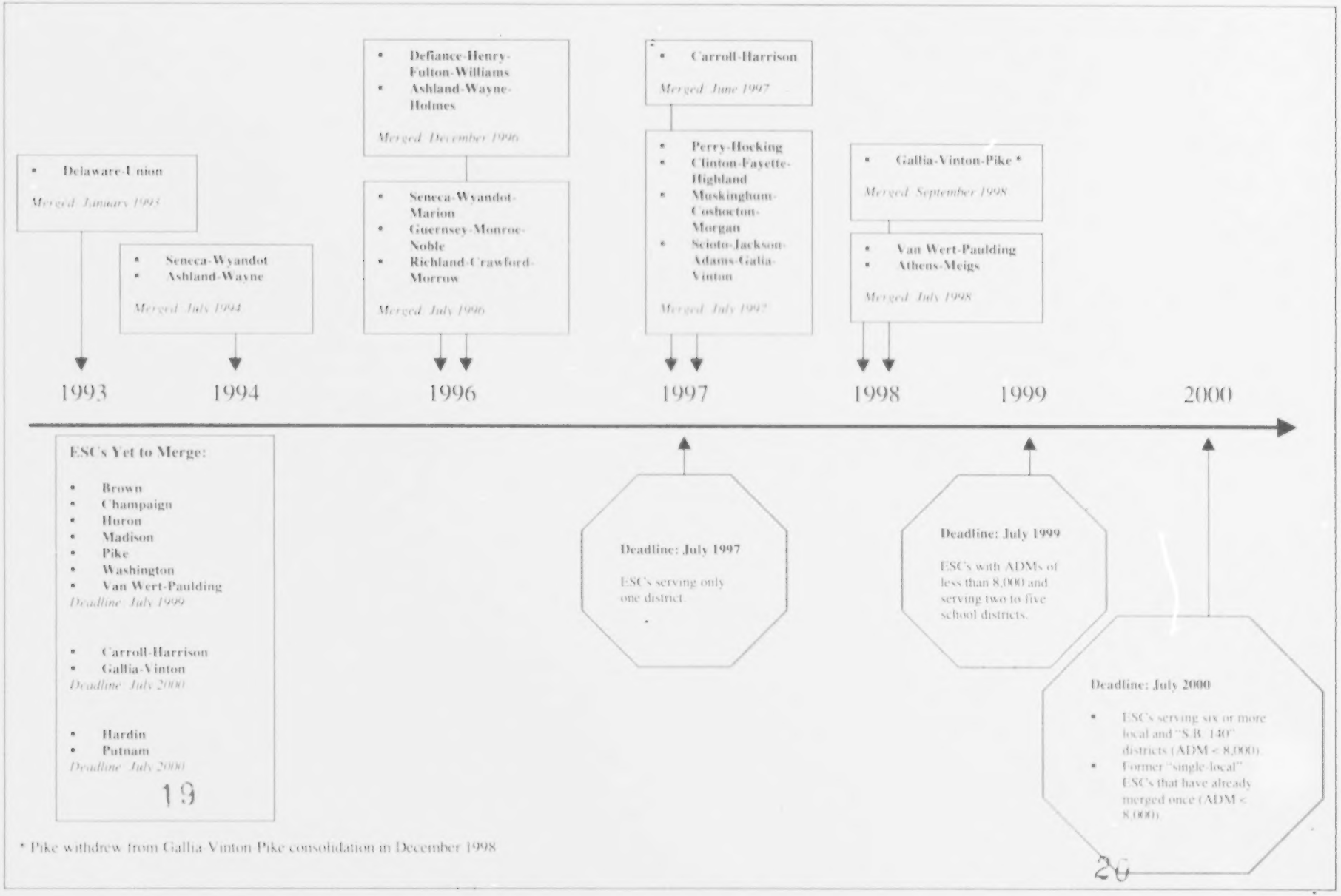
Exhibit 5
Educational Service Center Mergers and Deadlines



* Pike withdrew from Gallia Vinton Pike consolidation in December 1998

Exhibit 6
County Map of Educational Service Centers

Must merge again
* Gallia-Vinton
* Western Buckeye
* Carroll-Harrison

NOTE: ESC boundaries do not exactly match county lines

ESC Mergers
Merged (39)
Yet to merge (8)
Not required to merge (41)

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Legislators' expectations for consolidation

LOEO interviewed a bipartisan group of nine legislators from both the Ohio House of Representatives and Senate to learn the General Assembly's rationale and expectations for consolidation. Legislators explained that the rationale for consolidation was the belief that ESCs, with ADMs of less than 8,000, could operate more efficiently in terms of costs and services if they "pooled" their financial and human resources.

By combining resources, legislators believed that smaller ESCs could increase their efficiency by eliminating duplicative positions and streamlining the services offered to districts. As a result, many legislators expressed an expectation for a reduction in costs, but also acknowledged that a cost savings may never be realized. However, legislators explained to LOEO that any significant increases in ESC staff size or salaries would run counter to the intent of the legislation. Legislators expressed their belief that regardless of a cost savings, they do expect an improvement in the services offered to districts.

While legislators support the consolidation efforts to date, they did express concern over whether the geographic size of the ESC might negatively impact the quality of services provided to districts. For example, if the ESC staff spends more time traveling among the districts than actually delivering services, then the ESC service area is too large. As one legislator explained, ESCs need to be in close enough proximity to communicate and serve their districts. Most legislators stated that *if* any further consolidation takes place, it should "make sense geographically" and be determined on an individual basis.

Consolidation efforts in other states

LOEO interviewed individuals from ten states that have undergone or are considering consolidation. Similar to Ohio, consolidation in other states was mandated by the state legislature and in some cases was based on the size or average daily membership of the districts served by the educational service agency (ESA).

LOEO found the types of services provided by ESCs in Ohio to be consistent with those offered by ESAs in other states. Also consistent was the proportion of funding received from local, state, and federal sources. Among the states interviewed, Ohio provides one of the highest levels of state support to its ESCs. Appendix E provides additional information on ESAs and consolidation efforts in other states.

Ohio's rationale for consolidating is very similar to other states. Among the states interviewed, three common themes emerged regarding the rationale behind consolidation. First, consolidation was viewed by policymakers as a way for ESAs to "pool" their resources. Policymakers believed that combining resources would reduce the disparity in funding and services among the ESAs. Second, policymakers believed that consolidation would force ESAs to operate more efficiently by eliminating such things as duplicative staff and regional facilities. Third, policymakers held the expectation that consolidation would result in a cost savings. However, when LOEO asked representatives from other states if a cost savings was realized, they were able to provide only anecdotal information and no studies.

The fact that there are no studies about the impact of consolidation efforts in other states is consistent with the overall lack of information available on ESAs. Throughout the course of this study, LOEO was told by researchers and others affiliated with ESAs that "no one is really paying much attention to them."

CHAPTER III
CONDITIONS AND IMPACT OF CONSOLIDATION

This chapter provides some of the conditions that have helped and hindered the consolidation of educational service centers in Ohio. It also describes the impact of consolidation on educational service center spending and services.

Prior to the 1995 legislative mandate to consolidate, only three mergers took place. However, since the General Assembly provided incentive dollars and threatened forced consolidation if the statutory deadlines were not met, many of the educational service centers (ESCs) required by law to consolidate have now done so. Nevertheless, there are still a number of ESCs that have not yet merged. Many of these "yet to merge" ESCs reported to LOEO that they have either no intention or little hope of merging by the specified statutory deadline.

Through interviews with ESC and district administrators, LOEO learned that each educational service center is faced with some shared and some unique conditions that help or hinder the consolidation process.

Conditions that help the consolidation process

Money. The incentive dollars provided by the General Assembly played a large role in some ESCs' decision to merge prior to their statutory deadline. The money, $60,000 per participating county, helped defray many of the costs of merging. These costs may include:

- Increasing the salaries and benefits of lesser paid personnel;
- Moving expenses;
- Changes to signs, letterhead, business cards, checks, etc.;
- Attorney fees;
- Meeting costs;
- Expense of consolidating personnel and financial systems;
- Strategic planning and policy development; and
- Postage, travel, telephone, and courier services.

Along with using the incentive money to offset the costs of merging, ODE stipulated that each merged ESC use part of the incentive money for new and innovative programs and services. Examples of some uses of the incentive money include master teacher programs, administrative leadership academies, and new technology. ODE believed that by dedicating a portion of the incentive money for these types of programs and services, the overall quality and efficiency of the ESCs would improve. The deadline for receiving incentive money was December 31, 1997.

In addition to the incentive money, some of the merged ESCs are now eligible to receive a larger subsidy, 1% of the state basic aid amount, for each student in the local districts served by the ESC as well as those districts served through contracts authorized by S.B. 140. For the 1998-1999 school year, the 1% amount was $38.51 per pupil and replaced the $34 per pupil amount previously received from the state. Only ESCs serving three or more counties are eligible for this higher amount. By using 1% of the state basic aid amount, rather than a fixed dollar amount, the General Assembly has provided automatic increases to these ESCs every time the basic aid amount increases. However, funding for all ESCs must still be appropriated each biennium.

Good personal relationships. Several of the ESC superintendents that LOEO interviewed mentioned that the personal relationships that existed among the participating ESC superintendents and the staff helped to facilitate the transition to a consolidated organization. Nearly every ESC and district superintendent stressed the importance of including ESC staff and local district personnel in the planning stages of consolidation. Some ESCs even went so far as to include members from the community.

Pre-existing service relationships. Several consolidations were built upon pre-existing service relationships between counties. The participating ESCs felt that it was "natural" for them to merge with counties with whom they shared cooperative agreements such as joint vocational school districts, data acquisition sites, or other education and human services delivery systems.

On the other hand, some ESCs that have yet to merge believe that the service agreements already in place with neighboring counties make consolidation unnecessary and perhaps counter-productive because it might interfere with the relationships that have served them well over the years.

Common cultures. Due to the need for educational service centers to provide districts with individualized services, some ESC and district superintendents feel that consolidation is most successful when the participating counties have similar socioeconomic and cultural characteristics. In some cases where these similarities are not present, administrators feel that it would be very difficult to meet the diverse needs of districts. For example, an ESC that primarily serves very small, rural districts would probably not want to merge with an ESC that serves mostly urban districts.

Retirement of administrative personnel. Another common theme in all of the consolidation stories is the retirement of participating ESC superintendents. This allowed the consolidation to move forward without having to determine which superintendent would assume the top position within the newly consolidated ESC. This also allowed for some cost savings in terms of salaries and benefits. In at least one case, a retiring superintendent, whose knowledge of the participants and non-vested interest was believed to be very beneficial, stayed on to facilitate the merger process.

Belief that consolidation will improve services to children. One of the factors that distinguishes many of the ESCs that have merged from those that have not yet done so is the belief that consolidation is the right thing to do. Many of the merged ESCs feel that the belief that "we can do more because of the merger" was central to their willingness and ability to consolidate. Without this belief it is possible that many of these ESCs would have been reluctant to consolidate, regardless of the other incentives.

Conditions that hinder the consolidation process

The absence of any of the conditions mentioned could hinder the consolidation process. In addition, the following factors have created challenges for ESCs that have merged or have caused concern for ESCs that have not yet merged.

Salaries and other personnel issues. Nearly every merged ESC to date has found it necessary to increase the staff salaries of the lower-paid participating counties to the level of the highest-paid participating county. Each ESC made this decision due to union agreements or with the intention of creating a smooth transition where employees of one county do not resent the employees of another. Especially in the first year of consolidation, when existing employment contracts must be honored, this creates a significant increase in the costs of the newly merged ESC. The practice of increasing salaries did not necessarily apply to upper-level administrative positions such as superintendents and treasurers, but rather to instructional and other support staff.

For those ESCs that have yet to merge, early negotiations with other ESCs show that they too will have to increase their staffs' salaries. The increase in costs, coupled with the belief that services will not be improved, have caused some ESCs to resist consolidation.

Geography. As a service-delivery agent, all ESC and district administrators feel that an ESC should maintain close, personal relationships with the districts it serves. This personal relationship helps the ESC better understand the needs of their districts and provide individualized services. Consolidation can have a negative impact on these relationships.

Some district superintendents, especially those served by larger consolidated ESCs, feel that due to the increased number of districts served, the relationship has become less personal. Some ESC administrators note that the consolidation has also increased travel time and reimbursement expenses, and has extended the workday of many of their employees.

Some ESC superintendents have chosen to reduce staff travel by maintaining facilities in each of the participating counties or by placing ESC staff in district buildings. There is agreement among merged ESCs that consolidation of more than three counties is usually not advisable, although this too depends on population and topography.

Desire to avoid "takeovers" and "paper mergers." For mergers that have been characterized as successful, an effort was made to negotiate a new organization that was neither a takeover of one county nor a "paper only" merger that did not significantly change operations. Successful mergers require communication, education, sacrifice, cooperation, and time.

Some of the ESCs that have yet to merge have been unable to find a merger partner that they feel would not overtake them. In particular, smaller, more rural ESCs whose only choice is to merge with larger, more urban ESCs fear losing their identity and having the needs of their districts go unmet.

Reluctance of board members. A merger requires that a new board be created to govern a newly consolidated ESC. While ESCs are given a variety of options in the configuration of their new board, eventually some board members will lose their seats. Many ESCs retain all of the members of their participating counties during a transitional period; however, a ten or fifteen member board is not desirable for the long term. One ESC superintendent described the consolidation process and resulting changes to his board as "planting shade trees that you might never enjoy."

While there are many examples of smooth transitions and statesman-like behavior, some ESCs have experienced board members who were unwilling to give up their seats. This may be especially true for ESCs that are not required to merge but are approached by smaller ones. At least one ESC has been unable to find a merger partner because of other ESCs' unwillingness to reconfigure their board. Furthermore, given that the incentive money is no longer available, larger ESCs not required to merge may be even less willing to take on smaller ones.

Financial impact of consolidation on ESCs

Expenditures. As stated earlier, one of the expectations of policymakers for the consolidation of ESCs is to reduce expenditures, such as salaries, fringe benefits, purchased services, and facilities. LOEO analyzed the expenditure data of the six ESCs merged more than one year to see if a reduction in total spending occurred *after* consolidation.

To perform this "before and after" analysis, LOEO examined the percent change in overall spending of merged ESCs, but found no consistent pattern to indicate that consolidation resulted in an overall reduction in spending. However, when LOEO focused on just the administrative salary data of the merged ESCs,

there was a reduction in the amount of money spent on upper-level administrator salaries, such as superintendents and treasurers, in the year following a consolidation.

LOEO contacted the superintendents of the merged ESCs to determine if the decrease in administrative salaries could be attributed to consolidation. LOEO found that the decrease was in fact due to the loss of a superintendent, treasurer, or both. For the majority of merged ESCs, the loss of upper-level administrators was primarily the result of retirement and other forms of attrition. In instances where upper-level administrators did not retire, they were typically assigned different titles such as assistant superintendent or treasurer. Therefore, the ESC may not have experienced an immediate reduction in administrator salaries.

For example, one ESC did not show an overall reduction in the year following its consolidation (1997), but did experience a decrease in administrator salaries in 1998. For 1998, a 2% reduction in the amount of money spent on administrator salaries was reported and attributed to a superintendent retiring.

While retirement of upper-level administrators accounts for the majority of decreases in administrator salaries, another ESC experienced a significant reduction because of the *type* of ESCs involved in the merger. This consolidation involved two "single-local" ESCs, ESCs serving just one local district. As such, the superintendents and treasurers filled these roles for both the ESC and school districts. Because the superintendents and treasurers chose to remain at the district-level, the newly consolidated ESC did not have to assume any of their upper-level administrator salaries.

Redirected spending. During our discussions with the superintendents of merged ESCs, we asked why reductions in upper-level administrator salaries were not necessarily detected in their total expenditures. The superintendents explained that salary information provides the best example of "redirected" spending. For the majority of merged ESCs, the loss of upper-level administrator positions created additional resources that were used to improve the programs and services offered to districts. Often, the merged ESCs used the money to hire additional instructional and supervisory staff. The superintendents of the merged ESCs explained that money "saved" in one area was used to improve another. Therefore, they believe that both a cost savings and improvement in services was achieved.

Facilities. Legislators expect that consolidation would reduce the number of facilities maintained by ESCs. However, the majority of merged ESCs interviewed by LOEO have not reduced the number of facilities. In fact, most have maintained the same number of facilities as prior to the merger. While some administrative functions of the ESC (e.g., superintendent, treasurer) have been centralized, most ESCs have chosen to keep at least one facility in each county to maintain some "local connection" to the districts they serve. The superintendents of the merged ESCs believe that this allows them to reduce the amount of travel time for their staff. They also believe that maintaining a "local connection" to the district enables staff to have a better understanding of the needs of the district.

As noted, however, the cost of ESC facilities is not necessarily covered by the ESC. As required by law, when asked by the ESC, the board of county commissioners must provide ESC facilities.

Cost savings to districts. The majority of school districts interviewed by LOEO do not believe that ESC consolidation resulted in a cost savings for them. While some ESCs were able to reduce their costs through consolidation, LOEO found that any savings that *were* passed along to districts went unnoticed by district administrators because of the recent changes in special education funding.

Under the new funding system, ESCs must now charge districts the full cost of their special education services as opposed to just the excess costs under the previous unit-funding system. Therefore, districts receive a

significantly higher bill for the same special education services received the previous year. Although districts receive the state money for special education that previously went to ESCs, implementing the new funding formula while ESCs are still in the process of merging has made it difficult for districts to notice any cost savings from the consolidation of their educational service centers.

Effect of consolidation on services

Positive. While there has been no overall savings, there has been another, less quantifiable benefit of consolidation. The majority of districts served by the merged ESCs reported to LOEO that consolidation has resulted in a change in the quality of programs and services. Overwhelmingly, the change was positive and manifested itself in the following ways:

- An expansion in the *type* and *number* of services offered to districts;
- A "leveling up" in the *quality* of services delivered to districts within an ESC;
- A broadened expertise due to the pooling of combined ESC staff;
- Greater efficiency in delivering services; and
- More collaboration among ESC staff.

The districts served by the merged ESCs report that consolidation has increased both the financial and human resources available to them. A larger budget enables merged ESCs to hire more specialized staff. For example, prior to a merger, an ESC may have had only one psychologist on staff who specialized in eating disorders. But, after merging with two other counties who each had psychologists with different areas of specialization, the districts would now have access to both greater expertise and a broader range of services.

Negative. Despite the overall positive impact of consolidation on services, there is one negative outcome. The overwhelming sentiment expressed by the districts served by the merged ESCs is the loss of individualized attention. Districts reported to LOEO that ESC staff are "stretched too thin." Due to the increased size of the service area and larger number of students served by the ESC, the supervisory staff is less familiar with the needs of individual districts.

Districts report that ESC staff who did not represent the county prior to the merger are less familiar with the individual needs of the students in that county. For example, a special education supervisor from one county would be less likely to know the individual needs of students in the other counties, which could affect the way the Individualized Education Programs (IEPs) would be written for those students.

As previously stated, ESCs differ in their geographical size. The largest consolidated ESC (Northwest Ohio ESC, 1,656 square miles) is seven times larger than one of the smallest ESCs (Lake County ESC, 228 square miles) that is not required to merge by law. Differences in size are also compounded by differences in topography. Lakes, rivers, and other natural obstacles in smaller service areas can create the same challenges as distance in larger service areas. A county map showing the relative size of ESCs can be found on page nine of this report.

The increased geographic size of the service area often results in more time spent by ESC staff traveling between districts, which inevitably translates into less time spent delivering services to students. ESC and district staff also expressed difficulty in coordinating meetings across a three or four county area.

CHAPTER IV
ISSUES FOR FUTURE CONSIDERATION

This chapter outlines issues that policymakers may need to address as they consider educational service centers in the future. The issues include changes in special education funding, the entrepreneurial educational service center, accountability, and regional service delivery.

In the course of preparing this status report on the consolidation of educational service centers (ESCs), four issues surfaced that are likely to demand the attention of policymakers in the future. LOEO has not provided recommendations based on these issues because the scope of this study did not include the necessary exploration of the involved policies, interests, and implications. However, given the importance of these issues, LOEO feels that they should be introduced.

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Changes in Special Education Funding

The state mechanism for funding special education services, a large part of the services provided by ESCs, recently has been changed. Am. Sub. H.B. 650 of the 122nd General Assembly changed the funding of special education services. Previously, "unit" funding was provided to school districts, ESCs, and other entities. Under the new system, a weighted per-pupil amount is paid only to school districts. Special education students are counted in the district's average daily membership (ADM), therefore the district receives state basic aid dollars for these students. The district also receives additional funding based on "weights" that are determined by the nature of the students' disabilities. ESCs that provide special education services under this new system are paid by districts with no special education funding coming directly from the state. Appendix C provides more details on the changes made to special education funding.

The changes made to special education funding will likely have a significant impact on educational service centers. However, the full effect will not be realized until after the 1998-1999 school year because of a "hold-harmless" provision that requires districts to honor the same service arrangements as the previous year. The two key results of these changes as they affect ESCs are:

- A real or perceived loss of special education dollars to districts; and
- The introduction of market forces to the supply and purchase of special education services.

Loss of special education dollars

Many school district superintendents believe that under the new school funding system they will have fewer special education dollars to serve their children than they had available to them under the unit funding system. Ohio Department of Education (ODE) estimates that 100 (mostly medium to high wealth) school districts experienced a decrease in special education funding for the 1998-1999 school year. ODE made these comparisons possible by attributing the money spent on a student through unit funding during the 1997-1998 school year back to the student's home district. The loss is due to one of two factors or a combination of both, which are discussed below.

Equalization of special education funding. Some districts may have experienced a decrease in special education funding due to the equalization of the weighted per-pupil amounts. Under unit funding, only a very small fraction of special education funding was equalized. That is, almost no adjustments were made to state special education funding to account for the relative wealth of the district receiving the funds. Each district, regardless of wealth, received virtually the same amount for each unit.

Under the new system, all state funding for special education students is equalized in the same way as funding for regular education students. That is, the state share is applied to both the special education students' basic funding and their "weights." Equalization takes into account the relative wealth of districts and is an intentional policy decision made to improve the equity of Ohio's funding system.

When looking at total state aid, however, the state offers school districts a "guarantee" that their aid will not be less than it was in the previous year.

Cap on state aid to districts. Some districts are subject to a cap that restricts the increase they can receive in state aid from one year to the next through the 2001-2002 school year. One way to describe the cap is that it imposes a percentage cut on all of the district's programs including special education. Therefore, any reduction taken in the district's aid resulting from this cap can be seen as a loss for special education as well as other programs. Losses in special education dollars due to the cap are perhaps an unintentional consequence of restricting the growth in state aid.

Perception of loss. For other districts, the loss may be only a matter of perception. Under the new funding system, districts receive a lump sum payment from the state; special education funding is not distinguished from funding for general education. Therefore, districts may feel that directly paying for services previously paid for by the state through unit funding is cutting into dollars used for regular education. This perception is especially true for districts that are suffering from "sticker shock" and reacting to having to pay the entire cost of special education services from their ESCs. However, the new weighted per-pupil amount that districts receive for special education students is intended to take into account the costs that were previously the responsibility of ESCs and other service providers.

Whether districts are responding to a real or a perceived loss, the effect on educational service centers is the same. Several ESCs have already begun to feel pressure from school districts to cut costs. ESC superintendents predict that the first areas where districts will look to reduce their costs are related services (e.g., speech-language therapy, psychological services) and supervisory services. In fact, the General Assembly may have anticipated this effect. Amended Substitute House Bill 770 of the 122nd General Assembly provided "collaborative" money to ESCs, school districts, and County Boards of Mental Retardation and Developmental Disabilities (MR/DD) for related services. This money, however, is not a continuous source of funding.

Introduction of market forces

By giving the weighted per-pupil amount directly to the district, the state has introduced market forces to the supply and purchase of special education services. School districts may use their own level of "customer satisfaction" instead of geography or previous relationships to determine where to purchase special education services. Although, ultimately the child's Individualized Education Program, as prescribed by federal law, determines the services that must be provided, not the cost or convenience of provider alternatives. The new market rules, however, do raise questions regarding the amount of flexibility that districts truly have in changing their service providers and the stability of funding to ESCs.

Flexibility to change service providers. After this school year, districts will be free to take the weighted per-pupil amount for special education and continue to contract

with their ESC, provide their own services, contract with another ESC, form their own cooperative, or contract with a private service provider in some cases. However, districts will not be able to move all funding to their new provider. The state subsidy for local and "S.B. 140" contracts and amounts that districts are required to pay to the ESC in their county for general supervision and other expenses will remain with the district's original ESC.

As previously noted, the state subsidy ($34 per pupil or 1% of the state basic aid amount per pupil) is paid to each ESC according to the ADM of each local district in their county or counties and to each city or exempted village district they serve through contracts authorized by S.B. 140. Under the new system, the state subsidy for local district contracts would continue to go to a district's original ESC regardless if the district has decided to purchase services from that ESC. For city and exempted village districts, "S.B. 140" contracts are restricted to ESCs and districts that share territory, thereby limiting the use of that state subsidy in selecting a different service provider.

In the past, other city and exempted village districts wanted to purchase services from ESCs but have been unable to because of the unavailability of enough "S.B. 140" contracts. In fact, some ESCs are currently lobbying the General Assembly for more money to be made available for these contracts. The question raised is, "How much flexibility do districts actually have in changing service providers if the full amount of money available to them in their current arrangement is not transferable?"

Stability of ESC funding. Another issue raised by the introduction of market forces to the provision of special education services is the stability of ESC funding. Theoretically, districts will be allowed to change service providers every year. Some ESC administrators maintain that the uncertainty this might create does not support long-range, strategic planning including the decision to hire staff. ESC administrators also point out that it is difficult to attract personnel when potential candidates are aware of job instability.

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The Entrepreneurial ESC

While district pressure to cut costs may send many ESCs scrambling for other revenue sources in the future, some ESCs reportedly have already expanded their clientele base, increased revenue, and passed the benefit along as cost savings to their districts.

Some of the ESCs that LOEO spoke to described a variety of arrangements with private schools and non-school entities. These arrangements include, but are not limited to, services provided by ESC staff to: parochial schools, alternative schools, mental health programs, GED and other adult education programs, residential programs, workplace literacy programs, Head Start, corrections facilities, and the juvenile courts.

Some ESCs might also run *programs* that serve organizations or individuals outside of the public school system such as a CDL (Commercial Driver's License) program. Other ESCs might pursue opportunities to become a fiscal agent for other programs or grants, which allows them to collect a fee for their services, usually three to eight percent of the grant.

This new entrepreneurial role for ESCs, however, raises two issues: some ESCs wish to have this role expressly permitted by the legislature; and not all ESCs are in the necessary environment to take advantage of this new role.

Legislative permission

These "for profit" opportunities, while not prohibited, also are not expressly allowed.

The ESCs engaging in these practices feel as if they are "out on a limb." If permission were given for ESCs to provide services to other clients, ESCs that are currently operating in this capacity would do so more comfortably. In addition, ESCs that have not yet explored this new role may consider it for the future with this permission.

Environment

Not every ESC is located in the type of environment necessary to pursue a more entrepreneurial role. The ESCs that have been successful in seeking additional clientele have done so in large part due to their location. ESCs whose county or counties include large urban areas, for example, are bound to be more successful at this entrepreneurial approach than ESCs that serve isolated, Appalachian or other rural communities. The expectation that all ESCs should use this approach to increase revenue with the same level of success is unrealistic.

In addition to the right environment, pursuing an entrepreneurial role also requires the right kind of leadership. Going outside the boundaries of traditional services and clients requires creativity and acceptance of greater risk.

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Regional Service Delivery

LOEO interviewed one of the leading researchers of ESAs who characterized Ohio as having too many regional service delivery systems. "Whenever there's a new initiative, a new organizational structure is created to deliver those services." This point was reinforced by many of the ESC and district administrators that were interviewed for this report. In fact, many district administrators expressed their frustration with having to deal with the confusion and waste that has resulted, in their opinion, from poor coordination of services.

In addition to ESCs, school districts also receive services from other regional service providers such as:

- Regional Professional Development Centers (RPDCs);
- Special Education Regional Resource Centers (SERRCs);
- County Boards of Mental Retardation and Developmental Disabilities (MR/DD); and
- Data Acquisition Sites (DASs), part of the Ohio Education Computer Network.

Many of the district administrators that LOEO spoke to are frustrated by the duplication of services that exist, the poor quality of services they receive from some providers, and in some cases the contradictory information they receive. The most negative reaction that LOEO received was in regard to regional professional development centers. Many district administrators see no reason for RPDCs to duplicate the professional development services they receive from their educational service center. They would prefer that the state send the financial support for these services to the ESCs.

As the General Assembly considers improving the coordination and reducing the duplication of technology, professional development, and other services, it may want to consider the services that are already provided by ESCs, ESCs' capacity to do more, and the satisfaction that districts have with ESC services. Given that the change in special education funding has created a competitive environment for ESCs, the regional coordination of *all* education services and the elimination of duplicative services may be essential to the future survival of educational service centers.

ESC Accountability

Educational service centers are not well understood. Some ESC superintendents recognize that even their own communities often are not aware of everything that they do. In state-level deliberations about school improvement, ESCs are an often overlooked resource. While this study did not formally examine the reasons for the lack of attention paid to educational service centers, two plausible explanations surfaced. There is very little oversight of ESC operations by the Ohio Department of Education, and, unlike school districts, ESCs are not required to report on their performance relative to any standards.

Oversight

According to state statute, educational service centers are required to submit "plans of service" which detail the services that districts will receive. They must also submit annual budgets to the State Board of Education. Additionally, ODE is required to conduct evaluations of ESCs. All of these reporting and evaluation requirements, however, have dissipated over the years.

While ODE receives and stores the plans of service submitted by each ESC, many are out of date. While ESCs may update their plans frequently, some yearly, ODE only receives new plans from ESCs that have merged. Budgets continue to be sent to the state board, but the board is seeking a change in law that will no longer require ESCs to submit them. ODE discontinued on-site evaluations of ESCs about five years ago. All of this reflects the national trend of state departments of education changing from regulatory to service agencies. In the case of school districts, however, an emphasis on *performance* standards has replaced the reporting of *process* and *content*. This has not happened for educational service centers.

Performance standards

There is no "ESC Report Card." The performance standards that have recently drawn attention to Ohio's school districts have no counterpart for educational service centers. ESCs are not required to report their progress towards meeting their own standards or to illustrate the ways in which they are assisting schools in meeting theirs. One of the ESC superintendents that LOEO spoke to reported that he would welcome performance standards for ESCs.

Existing literature on educational service agencies (ESAs) identifies the characteristics of effective service agencies and good state planning. One of the characteristics is the "implementation of a performance accountability system." If the General Assembly wishes to strengthen the role of ESCs and improve their effectiveness, performance standards or other accountability measures that focus on the quality of services may need to be considered. To accomplish this, attention will also need to be paid to the quality of financial and performance data submitted by each ESC and maintained by ODE.

CHAPTER V
CONCLUSIONS AND RECOMMENDATIONS

This chapter provides three sets of LOEO conclusions and recommendations regarding current and future educational service center consolidation.

Implementation of Mandated Consolidation

The required consolidation of educational service centers (ESCs) began in 1995 and is scheduled to be completed by July 1, 2000. Three mergers occurred prior to the 1995 consolidation mandate. Currently,

- There are 15 consolidated ESCs (three are required to merge again);
- Eight ESCs are required to merge but have not done so;
- Forty-one ESCs are unaffected by the mandate and are not required to merge; and
- There are a total of 64 educational service centers in Ohio (15 consolidated ESCs and 49 ESCs representing one county each).

The rationale for consolidation expressed by state legislators is greater efficiency in terms of costs and services. Many legislators expected that the consolidation of ESCs would result in fewer administrative personnel and a lower cost in services to the districts they serve. LOEO found that although administrative costs were reduced, those ESCs that have been merged for two or more years have not realized *overall* cost savings. A cost savings has not been realized because:

- Consolidation proved to be very expensive for some ESCs that raised the salaries of non-administrative staff from one participating county to match the salaries of another;
- Any cost savings that have occurred have been *redirected* to improve service delivery to districts; and
- Most ESCs have *not* reduced the number of facilities that they operate in order to provide more personal attention to districts and to reduce travel time for their staff.

Furthermore, any cost savings that *were* passed along to schools have gone completely unnoticed as district administrators react to the high special education costs that are now paid entirely by school districts. This "sticker shock" reaction may be widespread even though the new weighted per-pupil amount that districts receive for special education students is intended to take into account the costs that were previously the responsibility of ESCs and other service providers.

While the expected changes in overall costs were not realized, LOEO found that consolidation improves the ESCs' services. ESC and district administrators reported:

- An expansion in the *type* and *number* of services offered to districts;
- A "leveling up" in the *quality* of services delivered to districts within ESCs;
- A broadened expertise due to the pooling of the now combined ESC staff;
- Greater efficiency in delivering services; and
- More collaboration among ESC staff.

Because of the increased geographic size, the one negative effect of consolidation on services expressed by school district administrators was the loss of individualized or personal attention paid to them by ESC personnel.

The experiences of the ESCs that have been consolidated for two or more years indicate that certain conditions, when present, can ease the merger process. Those conditions include:

- Provision of state money to offset the costs of consolidation;
- Good personal relationships among the superintendents, boards, and staff of participating counties;
- Pre-existing service relationships among participating counties;
- Similar cultures and socio-economic status;
- Retirement of upper-level administrative personnel such as superintendents and treasurers; and
- Belief that consolidation will improve services to students.

LOEO also found that many concerns weighed heavily in the consolidation process of those ESCs that have merged, and many of the same concerns have made other ESCs reluctant or unwilling to merge. These concerns include:

- Increased costs associated with salaries and other personnel issues;
- The geographic size of a consolidated ESC and the effect it might have on costs and the personal nature of ESC service delivery;
- The difficulty of negotiating a merger that is neither a "paper only" merger nor a "takeover"; and
- Reluctance of board members to give up their seats for the necessary reconfiguration of a consolidated governing board.

Conclusion

Overall, while the expected cost savings of consolidation were not necessarily realized, school districts served by merged ESCs report improved services. Regarding ESCs still required to merge, waiting until the deadline and forcing a merger without attempting to take the conditions listed above into account will not create the desired results of improved efficiency and quality of services. Therefore,

LOEO recommends:

- The consolidation of educational service centers be completed as prescribed by Am. Sub. H.B. 117 (121st General Assembly) and later altered by Am. Sub. H.B. 215 and Am. Sub. H.B. 770 (122nd General Assembly).

- The Ohio Department of Education, in cooperation with ESCs that are "yet to merge" develop individualized plans for improving efficiency and quality of services through consolidation. In particular, these plans could contain strategies to enhance conditions that help the consolidation process and avoid conditions that hinder it.

Providing Incentive Money

The costs associated with consolidation are substantial. Those costs include but are not limited to:

- Increase in salaries and benefits to some personnel;
- Moving expenses;
- Changes to signs, letterhead, business cards, checks, etc.;
- Attorney fees;
- Meeting costs;
- Expense of consolidating personnel and financial systems;
- Strategic planning and policy development; and
- Postage, travel, telephone, and courier.

Incentive money was provided by the state to offset the direct and indirect costs of dissolving participating ESCs and was a key factor in aiding the success of mergers that have taken place to date.

Conclusion

One recently consolidated ESC missed the deadline (December 31, 1997) for receiving consolidation "incentive" money ($60,000 per participating county). Additionally, educational service centers that are required to merge but have not yet done so will not receive money from the state to offset the costs of consolidation. These costs, however, remain. Therefore,

LOEO recommends:

- The Ohio General Assembly provide "incentive" money to the one ESC that merged in 1998 and to all of the ESCs still required to consolidate upon the effective date of their mergers.

Additional Consolidation

School district administrators that have undergone the consolidation of their educational service center point to the need to consider a variety of criteria in addition to the average daily membership (ADM) when determining who should merge. These criteria include:

- Customer (school districts) satisfaction;
- Geographical size and topography;
- Number of school districts served;
- Cost effectiveness; and
- Culture.

Conclusion

While the original legislation requiring the consolidation of educational service centers might have been improved by including additional criteria, the number of students served (ADM) is a viable

starting point. However, the real concerns expressed by those ESCs that are reluctant or unwilling to merge will only be intensified should Ohio consider *further* consolidation beyond that already mandated by law. Therefore,

LOEO recommends:

- Should the General Assembly consider further consolidation of ESCs beyond that already specified by law, the decision of who is to merge should be made on a "case-by-case" basis with multiple criteria, taking into account each ESC's unique characteristics.

APPENDICES

Appendix A
Examples of Services Provided by Educational Service Centers

Curriculum Development – services may include proficiency intervention, research studies, professional library resources, curriculum alignment, and textbook studies.

Professional Development – services may include entry-year teacher support, special topic workshops, technology/computer classes, assistance with continuous improvement planning, and peer mediation training.

Financial Services – services may include consultation and analysis of local budgets and other fiscal matters including grant management, cost-benefit studies, school district tax levies, local bond issues, and so on.

Personnel Services – services may include management of the ESC's human resources including the employment, supervision, certification, and evaluation of ESC staff providing services in local districts, as well as search services and recommendations for the employment of local superintendents and other personnel.

Transportation – services may include the development of a plan for the safe transportation of students from home to school including bus driver training and certification, and processing of bus driver physicals.

Attendance – services may include a truancy officer to investigate unexcused absences in the district and to act as court liaison, an intervention program for students with attendance problems, and approving students' applications for home schooling.

Printing and Purchasing – provision of services that allow bulk purchases and large printing orders to be processed economically resulting in savings to member districts.

Special Education – services may include the provision of preschool and K-12 special education, curriculum and staff development, consultation and assistance to ensure the continuity between student assessment data, the Individual Education Program, and daily lesson plans.

Work Study – work study coordinators serve as a resource person to special education teachers, locate and screen potential work placements, and evaluate students involved in work experience.

Gifted Education – services may include assistance with the identification of gifted students and development of plans of service, in-service, consultation, coordination, program evaluation services for gifted program personnel, and the coordination of multi-district direct service activities for gifted students.

Speech and Hearing Services – the provision of student evaluation, consultation, and direct services in the areas of articulation, fluency, voice, and language.

Occupational and Physical Therapy Services – the provision of student evaluation, consultation, and direct services to students with disabilities in fine, gross motor, and/or perceptual motor skills.

Psychological Services – services may include student diagnostic and assessment services, consultation and intervention services with teachers for classroom management, intervention assistance in areas of substance abuse, grief management, and student violence.

Operational Support, Technical Assistance and Other Services – services may include conflict resolution training, legislative and business community liaison services, continuous improvement planning, substitute teacher recruitment and certification, social work intervention, crisis intervention, summer enrichment, parent seminars, and so on.

Appendix B
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Appendix C
Changes in Special Education Funding

As noted in the text of the report, the state mechanism for funding special education services, a large part of the services provided by educational service centers (ESCs), has recently been changed. Am. Sub. H.B. 650 changed the funding of special education services from "unit" funding, received by both ESCs and school districts, to a weighted per-pupil amount paid directly to school districts.

Prior to H.B. 650, children with similar disabilities were grouped together for funding purposes in a "unit" that varied in size depending on the disability category. The amount of funding provided to each unit was comprised of a salary amount based on the state minimum salary schedule, benefits, and a unit allowance (the unit allowance is higher for special education instructional units than for supervisory or related services units). The more severe the disability, the smaller the unit and therefore a higher amount per pupil. For the 1997-1998 school year, ESCs received 2,000 of the 13,900 available special education and related services (e.g., speech-language pathology and psychological services) units.

The children counted in units were not part of their home district's average daily membership; therefore, the district did not receive state basic aid for that student. The unit money was paid directly to the district, ESC, board of mental retardation and developmental disabilities, joint vocational school district, or other agency that operated the unit. An ESC might have operated a unit that served children from local districts in their county as well as city and exempted village districts or districts in other counties. Any cost of services provided to children that exceeded the amount of state money provided in the unit was billed to the child's home district in the form of "excess costs."

Am. Sub. H.B. 650 replaced special education unit funding with a weighted formula that requires the state to pay its share of a per-child amount that includes the basic aid amount as well as an amount that provides for the weighted costs related to one of three categories of disability. The state share is based on district wealth and thereby provides an "equalization" of the state funds received by school districts. The state also pays the same share of any amount that exceeds $25,000 for care and education of students in the third, most severe, disability category. The state's share of the basic per-pupil amount, the weight, and the catastrophic care is paid to the child's home district. After the 1998-1999 school year, one in which districts are required to honor previous contracts and service arrangements, districts may choose to provide the services themselves or select from any service provider they feel meets their needs.

Appendix D
Educational Service Center Consolidation: Chronological Order

This table includes educational service centers (ESCs), the date of their merger or the date when they are required to merge, and their average daily membership (ADM). The ADM for an ESC includes the ADM of each of its local districts as well as the ADM for each city or exempted village district it serves through a "S.B. 140" contract. The most recent ADM data available was for the 1997-1998 school year.

ESCs merged for two or more years	Effective Merger Date	1997-1998 ADM
Delaware-Union ESC	January 1, 1993	15,715
North Central ESC* (Seneca, Wyandot, Marion) *formerly Seneca-Wyandot ESC*	July 1, 1996 *July 1, 1994*	25,784
Guernsey-Monroe-Noble ESC	July 1, 1996	12,139
Mid-Ohio ESC (Richland, Crawford, Morrow)	July 1, 1996	29,258
Northwest Ohio ESC (Defiance, Henry, Fulton, Williams)	December 30, 1996	25,182
Tri-County ESC* (Ashland, Wayne, Holmes) *formerly Ashland-Wayne ESC*	December 30, 1996 *July 1, 1994*	31,683

ESCs merged for one to two years	Effective Merger Date	1997-1998 ADM
Carroll-Harrison ESC*	July 1, 1997	1,594
Perry-Hocking ESC	July 1, 1997	10,966
Clinton-Fayette-Highland ESC	July 1, 1997	22,071
Erie-Ottawa ESC	July 1, 1997	16,450
Muskingum Valley ESC (Muskingum, Coshocton, Morgan)	July 1, 1997	23,639
South Central ESC (Scioto, Jackson, Adams)	July 1, 1997	20,979
Gallia-Vinton ESC*	July 1, 1997	5,444

ESCs merged less than one year	Effective Merger Date	1997-1998 ADM
Western Buckeye ESC* (Van Wert, Paulding)	July 1, 1998	4,025
Athens-Meigs ESC	July 1, 1998	13,182
Gallia-Vinton-Pike ESC**	September 1998	9,014

ESCs that are yet to merge or must merge again	Anticipated Merger Date	1997-1998 ADM
Brown County ESC	July 1, 1999 *Seeking "S.B. 140" contract to increase ADM above 8,000*	7,124
Champaign County ESC	July 1, 1999	7,632
Huron County ESC	July 1, 1999 *Will be merging with Erie-Ottawa*	4,219
Madison County ESC	July 1, 1999	4,824
Pike County**	July 1, 1999	3,698
Washington County ESC	July 1, 1999 *Seeking "S.B. 140" contract to increase ADM above 8,000*	5,683
Western Buckeye ESC* (Van Wert-Paulding)	July 1, 1999 *Seeking "S.B. 140" contract to increase ADM above 8,000*	4,035
Carroll-Harrison ESC*	July 1, 2000	1,599
Gallia-Vinton ESC*	July 1, 2000 *Seeking "S.B. 140" contract to increase ADM above 8,000*	5,584
Hardin County ESC	July 1, 2000	6,187
Putnam County ESC	July 1, 2000	7,415

* Educational service centers that have or will be involved in multiple mergers.
** Pike County withdrew from Gallia-Vinton-Pike consolidation in December 1998.

ESCs not required to merge and their 1997-1998 ADM

Allen County ESC	13,127	Logan County ESC	8,002
Ashtabula County ESC	15,335	Lorain County ESC	25,771
Auglaize County ESC	9,230	Lucas County ESC	36,797
Belmont County ESC	10,038	Mahoning County ESC	24,223
Butler County ESC	44,068	Medina County ESC	27,038
Clark County ESC	25,485	Mercer County ESC	9,602
Clermont County ESC	28,738	Miami County ESC	17,741
Columbiana County ESC	18,408	Montgomery County ESC	58,692
Cuyahoga County ESC	123,897	Pickaway County ESC	9,506
Darke County ESC	9,392	Portage County ESC	24,281
Fairfield County ESC	14,687	Preble County ESC	8,057
Franklin County ESC	76,254	Ross County ESC	11,987
Geauga County ESC	12,703	Sandusky County ESC	14,017
Greene County ESC	23,727	Shelby County ESC	9,157
Hamilton County ESC	81,978	Stark County ESC	64,329
Hancock County ESC	11,534	Summit County ESC	51,418
Jefferson County ESC	11,365	Trumbull County ESC	37,106
Knox County ESC	8,391	Tuscarawas County ESC	12,215
Lake County ESC	34,237	Warren County ESC	29,056
Lawrence County ESC	10,338	Wood County ESC	11,947
Licking County ESC	13,189		

Appendix E
Consolidation Efforts of Educational Service Agencies in Other States

State	Agency Name	Number of Agencies	Current Status of Consolidation	Sources of Funding	Major Categories of Services
Colorado	Boards of Cooperative Educational Services (BOCES)	22	No consolidation has occurred, but it is under legislative consideration.	Local: 51% State: 15% Federal: 34%	Special education; alternative education; standards-based education; professional development; video resource library; hearing, physical & visual impairment services.
Georgia	Regional Educational Service Agencies (RESA)	16	No consolidation has occurred nor is the issue being seriously considered.	Local: 22% State: 45% Federal: 33%	Planning and research assistance; staff development; instruction and curriculum; assessment and evaluation; technology; and drug/alcohol abuse instruction.
Illinois	Regional Offices of Education (ROE)	45	Reduced from 57 to current 45. Further consolidation to 36 was to take place but has not. Criteria was ADM (under 60,000 students).	Majority is state funding; remainder comes from fees charged to districts.	Professional development; regulatory and compliance; school improvement plans; and technology.
Iowa	Area Education Agencies (AEA)	15	No consolidation has occurred nor is the issue being seriously considered.	District generated funding from property taxes; money flows from the district to the AEA; state aid based on per-pupil cost and enrollment.	Special education; media services; and curriculum development.
Michigan	Intermediate School Districts (ISD)	57	The last consolidation process was approximately 15 years ago. The number of ISDs has not changed since that time.	Local: 83% State: 17 %	Career services; special education; adult education; communication resources; staff development; technology/media services; administrative/fiscal services.
New York	Boards of Cooperative Educational Services (BOCES)	38	Consolidation occurs on a periodic basis and is considered only when there is turnover in the superintendent position.	Local: 80% State: 12% Federal: 8%	Special education; vocational education; instructional support; speech/language; music instruction; and visually impaired instruction.
Ohio	**Educational Service Centers (ESC)**	64	**Reduced from original 87 to current 64. Further consolidation is still under way. Criteria is 8,000 ADM and serving more than one district.**	**Local: 30% State: 59% Federal: 11 %**	**Curriculum & professional development; financial & personnel services; transportation; attendance; purchasing; special education; work study; gifted education; speech & hearing programs; psychological services.**
Oregon	Educational Service Districts (ESD)	21	Reduced from 29 to 21 in 1995. Consolidation criteria was student population and resources.	Local: 20% State: 60% Federal: 20%	Special education; curriculum development; staff development; vocational education; and media services.
Pennsylvania	Intermediate Units (IU)	29	No consolidation has occurred, but it is under legislative consideration.	Local: 23% State: 36% Federal: 16% Other: 25% (fundraising by ESC)	Staff development; curriculum development; technology; and special education.
Washington	Educational Service Districts (ESD)	9	There were originally 14. The number was reduced to 12 in 1972 and to the present nine in 1977.	Majority is state funding that is based on student population within each service area; remainder comes from fees charged to districts.	Special education; grant administration; insurance and purchasing; and technology.
Wisconsin	Educational Service Agencies (ESA)	12	There were 14 in 1965 and were reduced to the 12 presently in existence. Most of the consolidation took place in 1984.	Majority is state funding that is based on student population within each service area; remainder comes from fees charged to districts.	Staff development; special education; media services; alcohol/drug abuse counseling; and services to the migrant population.

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COMMENTS

Committee Comments

- Representative J. Donald Mottley

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Primary and Secondary Education Subcommittee
State Government

July 1, 1999

Dr. Nancy Zajano, Director
Legislative Office of Education Oversight
77 South High Street, 22nd Floor
Columbus, OH 4326600927

Re: "Status Report on the Consolidation of Educational Service Centers"

Dear Dr. Zajano:

I again thank your office for the fine piece of research and analysis that addressed the impact of consolidation of educational service centers.

One thing that this analysis shows is that it is an absolute myth that consolidation reduces costs, particularly when large geographic areas are involved. It is perhaps, as a result of this conclusion, that the General Assembly has decided not to force further consolidations of educational service centers. Based on this information, I do not agree with the recommendation that we proceed with further consolidation at this time.

With that exception, I support the other recommendations of the Legislative Office of Education Oversight regarding educational service center consolidation. Please include this letter in the appendix to the final report.

Sincerely,

Don Mottley

J. Donald Mottley
State Representative
Member, Joint Legislative Committee
on Education Oversight

JDM:ls

EA

Status Report on the Consolidation of Educational Service Centers

Summary

LEGISLATIVE OFFICE OF EDUCATION OVERSIGHT
Columbus, Ohio
July 1999

EA 029 884

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The Legislative Office of Education Oversight (LOEO) serves as staff to the Legislative Committee on Education Oversight. Created by the Ohio General Assembly in 1989, the Office evaluates education-related activities funded wholly or in part by the state of Ohio. This LOEO report examines the impact of educational service center (ESC) consolidation on the costs and quality of services ESCs provide to school districts. *Conclusions and recommendations in this report are those of the LOEO staff and do not necessarily reflect the views of the Committee or its members.*

This study was completed in March 1999, presented to the Legislative Committee on Education Oversight in June 1999, and published in July 1999.

This report is available at LOEO's web site: http://www.loeo.state.oh.us

ADDENDUM

While reading this report, please note that the status of educational service center (ESC) consolidation is different today than when the report was written. Following are the changes Amended Substitute House Bill 282 of the 123rd General Assembly made regarding ESC consolidation:

- The definition of "client district" (on page 2 of the full report) was changed to allow ESCs to include *all* school districts in the calculation of their average daily membership (ADM) with whom they have a service agreement. This change lowers the number of ESCs that are required to merge or have "yet to merge." A total of three ESCs are affected by this change;

- ESCs that have an ADM of less than 8,000 students but serve six or more school districts are no longer "required to merge." This change affects two ESCs; and

- The consolidation deadline for two ESCs that have merged once, but still failed to meet the 8,000 ADM requirement, was postponed to July 1, 2001.

Since the completion of the report, three additional mergers have taken place. The table below compares the status of ESC consolidation at the time the report was written with the current status of consolidation.

Consolidation Status of Educational Service Centers

	Merged	Yet to Merge	Not Required to Merge	Total
In the report	15*	8	41	64
July 1999	17**	0	44	61

*includes three ESCs that must merge again
**includes two ESCs that must merge again

Finally, Am. Sub. H.B. 282 changed the subsidy made to multi-county ESCs described on page 11 of the full report. As an incentive to merge, the General Assembly previously provided *multi-county ESCs* (serving three or more counties) with a per student subsidy of one per cent of the formula amount. Am. Sub. H.B. 282 eliminated this subsidy and replaced it with a fixed amount of $40.52 per student.

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Summary

Status Report on the Consolidation of Educational Service Centers

Current law requires certain educational service centers (ESCs) to merge with another ESC.

In 1995, the Ohio General Assembly required that certain educational service centers (ESCs) merge with another ESC. This Legislative Office of Education Oversight report examines the impact of ESC consolidation on the costs and quality of services ESCs provide to school districts. The report also raises issues for the General Assembly to consider and provides recommendations regarding pending ESC mergers.

Background

The role of ESCs has evolved from imposing standardization on small rural districts to providing services to local, city, and exempted village districts.

ESCs, formerly called "county school districts," were created in 1914 to ensure that a standard level of quality existed in all village and rural school districts throughout the state. The role of ESCs has changed from that of imposing standardization on these districts to providing large-scale support and special programs to local, city, and exempted village districts. ESCs now serve 93% of Ohio's 611 school districts.

ESC Consolidation

Originally, there were 87 ESCs (one for each county except Adams County). Amended Substitute House Bill 117 of the 121st General Assembly originally required that ESCs serving only one local district merge by July 1, 1997 and that all ESCs with an average daily membership (ADM) of less than 8,000 students merge by July 1, 1999. Incentive money was provided to offset the costs of consolidation. Subsequent legislation postponed the consolidation of certain ESCs to July 1, 2000.

Currently, there are 64 ESCs in Ohio.

Currently, there are 64 ESCs in Ohio:

- Fifteen are "merged" (three must merge again);
- Eight are "yet to merge"; and
- Forty-one are "not required to merge."

Should an ESC that is required to merge fail to do so by the statutory deadline, the Ohio Department of Education is required to designate a suitable merger for that ESC.

Legislators' expectations

Regardless of whether cost savings result from consolidation, legislators expect services to districts to improve.

The state legislators interviewed for this report expressed the belief that combining the resources of smaller ESCs (ADMs of less than 8,000) would increase efficiency and should result in a cost savings. Regardless of whether cost savings result from consolidation, legislators do expect there to be an improvement in the services offered to districts. These expectations are similar to those of policy makers in other states.

LOEO Findings

Conditions that help consolidation

Certain conditions, when present, *help* the consolidation process.

LOEO identified certain conditions that, when present, *help* the consolidation process:

- Provision of state money to offset the costs of consolidation;
- Good personal relationships among participants;
- Pre-existing service relationships;
- Similar cultures and socio-economic status;
- Retirement of upper-level administrative personnel; and
- Belief that consolidation will improve services to children.

Conditions that hinder consolidation

Other conditions *hinder* the consolidation process.

In addition to the absence of these helpful conditions, LOEO identified conditions that hinder consolidation and have caused other ESCs to be reluctant or unwilling to merge:

- Increased costs associated with salaries and other personnel issues;
- The geographic size of a consolidated ESC and the effect it might have on the cost and quality of services;
- The difficulty of negotiating a merger that is neither a "paper only" merger nor a "takeover"; and
- The reluctance of ESC board members to give up their seats for the necessary reconfiguration of a consolidated governing board.

Impact of consolidation

Although administrative costs were reduced, ESCs have not realized an *overall* cost savings as a result of consolidation.

On costs. LOEO found that although administrative costs were reduced, ESCs have not realized an *overall* cost savings as a result of consolidation. An overall cost savings has not been realized because:

- Some ESCs raised the salaries of non-administrative staff

Any cost savings that have occurred have been *redirected* to improve service delivery to districts.

from one participating county to match the salaries of another;

- Any cost savings that have occurred have been *redirected* to improve service delivery to districts; and
- Most ESCs have not reduced the number of facilities that they operate in order to provide more personal attention to districts and to reduce travel time for their staff.

Furthermore, any cost savings that were passed along to schools have gone unnoticed as district administrators react to the new state funding system for special education. Special education funding accounts for a significant amount of an ESC's total funding.

Consolidation has had both positive and negative effects on services.

On services. LOEO found that consolidation had both positive and negative effects. The positive effects include:

- An expansion in the *number* and *type* of services offered to districts;
- A "leveling up" in the *quality* of services delivered to districts within ESCs;
- A broadened expertise due to the pooling of combined ESC staff;
- Greater efficiency in delivering services; and
- More collaboration among ESC staff.

Because of the increased geographic size, the one negative effect of consolidation on services expressed by school district administrators was the loss of individualized or personal attention from ESC personnel.

LOEO Conclusions and Recommendations

Implementation of mandated consolidation

Forcing mergers without considering the conditions that help or hinder the process will not result in improved efficiency and quality of services.

Overall, while the expected cost savings of consolidation were not necessarily realized, school districts served by merged ESCs report improved services. For those ESCs that are "yet to merge" and are reluctant, forcing them to merge without taking into consideration the conditions that help or hinder the process will not create the desired results of improved efficiency and quality of services.

LOEO recommends:

- The consolidation of ESCs be completed as prescribed by current law.

- The Ohio Department of Education work with ESCs that are

"yet to merge" to develop individualized plans for improving efficiency and quality of services through consolidation. These plans could contain strategies to enhance conditions that help the consolidation process and avoid conditions that hinder it.

Providing incentive money

The state's provision of incentive funding to offset the costs of merging has eased consolidation.

The state's provision of incentive funding to offset the costs associated with merging has eased consolidation. ESCs that merged in 1998 or have "yet to merge" have missed the deadline for incentive money.

LOEO recommends:

- The Ohio General Assembly provide "incentive" money to the one ESC that merged in 1998 and to all of the ESCs still required to consolidate. This funding should be provided upon the effective date of their mergers.

Additional consolidation

The original legislation requiring the consolidation of ESCs might have been improved by including criteria beyond that of ADM, such as customer satisfaction, geographic size and topography, or the number of school districts served. However, the concerns expressed by those ESCs that are reluctant or unwilling to merge will only be intensified should Ohio consider *further* consolidation beyond that which is mandated by law.

LOEO recommends:

If further consolidation is considered, the decision of which ESCs are to merge should be made on a case-by-case basis using multiple criteria.

- Should the General Assembly consider further consolidation of ESCs beyond that already specified by law, the decision of which ESCs are to merge should be made on a "case-by-case" basis with multiple criteria, taking into account each ESC's unique characteristics.

Issues for Future Consideration

In addition to the conclusions and recommendations offered regarding the consolidation of ESCs, there are four issues that policy makers may want to consider regarding educational service centers.

The state mechanism for funding special education services, a large part of the services provided by ESCs, has recently been changed.

Changes in special education funding

The state mechanism for funding special education services, a large part of the services provided by ESCs, has

recently been changed. The switch from "unit" funding to a weighted per-pupil amount given directly to school districts has resulted in:

- A real or perceived loss of special education dollars that causes districts to pressure ESCs into cutting costs and may cause some districts to cut back on special education and related services; and

- The introduction of market forces that cause ESCs to compete for districts' special education dollars. This could affect the stability of ESC funding as districts may select different providers from year to year. In addition, some of the dollars ESCs receive from districts and the state are not transferable; therefore, districts may not have much flexibility in choosing providers.

"Entrepreneurial" ESCs have expanded their clientele base, increased revenue, and have passed along cost savings to their districts.

The entrepreneurial ESC

Some ESCs have entered into a variety of arrangements with private schools and non-school entities. These "entrepreneurial" ESCs have found that by expanding their clientele base and increasing revenue they have been able to pass along cost savings to their districts. This new entrepreneurial role, however, raises two issues:

- These "for profit" opportunities, while not prohibited, are not expressly allowed in law; and

- Not every ESC is located in the type of environment necessary to pursue a more entrepreneurial role.

School district superintendents are frustrated with the number of regional, service-delivery providers working with Ohio's schools.

Regional service delivery

Many school district superintendents with whom LOEO spoke are frustrated with the many state-funded, regional, service-delivery providers working with Ohio's schools. They feel that some of the providers offer duplicate and poor quality service.

As the General Assembly considers improving the coordination and reducing the duplication of technology, professional development, and other services, it might want to consider the services that are already provided by ESCs, their capacity to do more, and the level of satisfaction that districts have with ESC services.

ESC accountability

In state-level deliberations about school improvement, ESCs are an often-overlooked resource. In part, this may be due to the lack of attention paid to them at the state level. There is very little oversight of ESC operations by the Ohio Department of Education, and ESCs are not required to report on their performance relative to performance standards or to report the ways in which they are assisting school districts in improving student performance.

Performance standards or other accountability measures that focus on the quality of services may need to be considered.

If the General Assembly wishes to strengthen the role of ESCs and improve their effectiveness, performance standards or other accountability measures that focus on the quality of services may need to be considered.

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